

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 L-03 OPIC-03 TRSE-00 OMB-01

CIAE-00 INR-07 NSAE-00 H-01 /036 W

-----010342Z 083327 /73

R 301708Z MAR 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0775

INFO AMCONSUL OPORTO

USDOC WASHDC

C O N F I D E N T I A L LISBON 2558

E.O. 11652: GDS

TAGS: EINV, PO

SUBJ: WEEKLY SUMMARY OF AMERICAN INVESTMENT PROBLEMS

REF: A) LISBON 2322, (B) LISBON 1921, (C) LISBON 1694,

(D) LISBON 2116, (E) LISBON 2359

1. STELBER-PORTUGUESA: (REF A) EMBASSY HAS LEARNED THAT NEGOTIATIONS BETWEEN THREE REPRESENTATIVES FROM STELBER NEW YORK, LOCAL LAWYER AND WORKERS COMMISSION BEGAN LAST WEEK AND ARE CONTINUING. EMBASSY WILL REPORT SIGNIFICANT DEVELOPMENTS.

2. APPLIED MAGNETICS: (REF B) DUE TO RECENT CHANGE OF LABOR MINISTER, MINISTRY OF FINANCE HAS NOT BEEN ABLE OBTAIN EXACT APPOINTMENT DATE. WILL ADVISE.

3. FABRICA DE TABACO MICAELENSE, LDA (BENSUADE - REF C).
ON MARCH 24 MRS. BENSUADE SALLES RETURNED TO EMBASSY WITH LAWYER, WHO HAS DISCUSSED PROBLEM WITH AZORES REGIONAL GOVERNMENT. REGIONAL GOVERNMENT PRESENTED TWO PROPOSALS FOR SOLUTION, THE FIRST OF WHICH LAWYER BELIEVES IS MORE FAVORABLE. PROPOSAL 1 IS FORMATION OF A STATE-OWNED ORGANIZATION WHICH MIGHT PROVIDE RAPID DENATIONALIZATION OF FOREIGN INVESTMENT. SECOND PROPOSAL WOULD RESULT IN THE FORMATION OF AN
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"AUTONOMOUS TOBACCO FIRM" FROM FOUR NATIONALIZED FIRMS (INCLUDING THE ONE IN MADEIRA) WITH DENATIONALIZATION OF FOREIGN INTERESTS COMPLETED DURING A 2-5 YEAR PERIOD. (NOTE: EMBASSY INFORMED THAT MRS. BENSUADE SALLES OWNS ABOUT 4 PERCENT OF FABRICA DE TABACO MICAELENSE, AND LAWYER STATED THAT ANOTHER 32 PERCENT OWNED BY FRENCH CAPITAL. COMMENT: SINCE CENTRAL GOVERNMENT NATIONALIZED

FIRM, QUESTION ARISES AS TO LEGALITY AND EFFECTIVENESS
OF REGIONAL GOVERNMENT DECISIONS ON THIS ISSUE. AUTONOMY
POSITION OF REGIONAL GOVERNMENT MAY BE STUMBLING BLOCK
IN NEGOTIATIONS OVER COMPENSATION OR RETURN OF ASSETS
TO FOREIGN INVESTOR.)

4. ITT: (REF D). FOLLOWING IS SUMMARY OF MARCH 22 GOP
(MINISTRY OF INDUSTRY AND TECHNOLOGY) COUNTERPROPOSAL TO ITT'S
JANUARY POSITION (COPY BEING POUCHED.) GOP REFUSED ITT SUGGESTED
SOLUTIONS ON GROUNDS THEY ARE CONTRARY TO CURRENT GOP ECONO-
MIC POLICY AS DEFINED IN GOVERNMENT PROGRAM. GOP WILL NOT
PURCHASE ANY CAPITAL IN STANDARD ELECTRICA, SHERATON OR
IMPRIMARTE, BUT WOULD AUTHORIZE: (1) INSTITUTION OF STATE
PARTICIPATIONS (GOP HOLDING COMPANY) TO NEGOTIATE
ACQUISITION OF UP TO 51 PERCENT OF OLIVA AND TO (2) "TAKE OVER"
ALL OF RABOR CAPITAL. THE ECONOMIC/FINANCIAL RECOVERY
OF ALL FIRMS WOULD BE PROMOTED THROUGH MEANS OF "VIABILITY
CONTRACTS," A RECENTLY CREATED SCHEME UNDER WHICH GOP,
WORKERS AND FIRMS ALL AGREE TO ACHIEVE PRODUCTION OBJECTIVES
IN EXCHANGE FOR PORTUGUESE BANKING SYSTEM FINANCIAL SUPPORT.
FINALLY, IN CASE NONE OF GOP PROPOSALS ACCEPTED BY ITT,
GOP STATES IT COULD BE OBLIGED TO USE THE LEGAL INTER-
VENTION MEASURES AVAILABLE TO IT IF NEGOTIATIONS WITH ITT FAIL.

5. COMMENT: ITT PRELIMINARY RESPONSE TO GOP COUNTER-
PROPOSAL WAS EXTREMELY NEGATIVE. HOWEVER, ITT VICE PRESIDENT
LUKE PLANNING TO ARRIVE LISBON APRIL 4 TO BEGIN NEGOTIA-
TIONS WITH MINISTER OF INDUSTRY.

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6. FACEL: (REF E). EMBASSY HAS INFORMED MINISTRY OF
INDUSTRY OF ADVANCE ROSS POSITION. WILL REPORT GOP
REACTION IN SEPTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SUMMARIES, FOREIGN INVESTMENTS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON02558
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770111-0645
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977037/aaaaafxw.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:09 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:07 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9bd7bab9-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
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Reference: 77 LISBON 2322, 77 LISBON 1921, 77 LISBON 1694, 77 LISBON 2116, 77 LISBON 2359
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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SAS ID: 3139989
Secure: OPEN
Status: NATIVE
Subject: WEEKLY SUMMARY OF AMERICAN INVESTMENT PROBLEMS
TAGS: EINV, PO, US
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/9bd7bab9-c288-dd11-92da-001cc4696bcc
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Margaret P. Grafeld
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22 May 2009
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